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Political Parties and Reforms

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Populist Policies in Post-Liberalization India: The Interplay of Political Parties and Economic Reforms:

India's transition to economic liberalization in 1991 fundamentally reshaped its political landscape, creating a dynamic tension between market-oriented reforms and the imperative for social welfare. As political parties at both central and state levels navigated the challenges of globalization, they increasingly turned to populist policies to address electoral demands, mitigate inequalities, and sustain power. This comprehensive paper explores the evolution, manifestations, drivers, and consequences of populism in post-1991 India, focusing on how major parties like the Indian National Congress (INC) and Bharatiya Janata Party (BJP), alongside regional players, balanced liberalization with welfare measures.

Historical Context of 1991 Economic Reforms:

The 1991 economic crisis, characterized by a depleting foreign exchange reserve, soaring fiscal deficits, and inflation rates exceeding 13%, necessitated bold structural adjustments. Under Prime Minister P. V. Narasimha Rao and Finance Minister Dr. Manmohan Singh, India embarked on the Liberalization, Privatization, and Globalization (LPG) framework. Liberalization dismantled the infamous "License Raj," slashing industrial licensing requirements from over 800 to fewer than 100 items and abolishing restrictions on industrial capacity expansion. Privatization initiatives disinvested public sector undertakings (PSUs), transferring stakes in entities like Bharat Petroleum and Indian Airlines to private investors. Globalization was pursued through tariff reductions—from an average of 125% in 1990 to around 50% by 1997—and the easing of foreign direct investment (FDI) norms, allowing up to 51% in high-priority industries.

These reforms catalyzed India's economic ascent, with GDP growth averaging 6.5% annually in the 1990s, rising to 7-8% in the 2000s. Foreign exchange reserves ballooned from $1.1 billion in 1991 to over $300 billion by 2011, while exports surged from $18 billion to $250 billion. The services sector, particularly IT and software, emerged as a global powerhouse, contributing 8% to GDP by 2010. However, this growth was uneven. Manufacturing stagnated at 16% of GDP, formal employment grew sluggishly, and agriculture—employing 60% of the workforce—suffered from stagnant productivity and volatile prices. Rural distress intensified, with farmer suicides peaking at over 16,000 annually in the mid-2000s. Urban-rural income disparities widened, with the Gini coefficient rising from 0.32 in 1993 to 0.38 by 2011. Jobless growth and precarious informal employment fueled social unrest, manifesting in events like the 1990s Mandal Commission agitations and early 2000s farmer protests.

The political ramifications were profound. Economic liberalization eroded the INC's traditional Nehruvian socialist base, fragmenting the party system and elevating regional parties. Voters demanded compensatory mechanisms to offset market-induced vulnerabilities, birthing a hybrid political economy where neoliberal reforms coexisted with expansive welfare statism. Populism, defined here as direct, mass-appealing interventions like subsidies, entitlements, and cash transfers, became the instrument of choice for reconciling growth with equity.

Conceptualizing Populism in Post-Reform India:

Populism in India diverges from Latin American or European variants by integrating seamlessly with democratic federalism and electoral competition. It manifests as "competitive populism," where parties outbid rivals with welfare promises, often framed in anti-elite rhetoric targeting "corrupt bureaucrats" or "urban elites." Post-1991, it evolved from crude subsidies to sophisticated, technology-enabled schemes. The INC's approach emphasized universal "rights-based" entitlements, while the BJP pioneered "new-age populism" via Direct Benefit Transfer (DBT), Aadhaar-linked identification, and data-driven targeting.

Key characteristics include personalization (e.g., schemes named after leaders like "Amma" or "YSR"), regional customization, and electoral timing—many launches precede polls. This populism sustains liberalization by depoliticizing reforms: welfare blunts opposition to privatization or FDI. Yet, it raises fiscal sustainability questions, with welfare spending consuming 20-30% of central budgets and up to 40% in some states.

Populism Under the Indian National Congress:

The INC, despite initiating LPG, confronted liberalization's backlash through welfare expansion, peaking under the United Progressive Alliance (UPA) governments (2004-2014). The flagship Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA, 2005) guaranteed 100 days of unskilled wage labor to rural households, costing ₹2.5 lakh crore annually by 2010-11. Evaluations showed it halved rural poverty vulnerability for Scheduled Castes/Tribes, raised women's labor participation to 55%, and cushioned agrarian shocks during droughts. Complementing this, the Right to Education Act (2009) mandated free education for ages 6-14, enrolling 2 million additional children yearly. The National Food Security Act (2013) entitled 67% of the population—800 million people—to 5 kg of subsidized grains monthly, building on the Targeted Public Distribution System (TPDS).

Farm interventions included loan waivers totaling ₹70,000 crore across states like Andhra Pradesh and Uttar Pradesh, alongside expanded mid-day meals reaching 120 million children. These measures embodied UPA's "inclusive growth" paradigm, blending Sonia Gandhi's National Advisory Council advocacy with Manmohan Singh's fiscal prudence. Electorally, they propelled UPA's 2009 victory, with MGNREGA swaying 10-15% of rural votes in key states. Critics, however, decried leakages—up to 40% in some regions—and inflationary pressures, though DBT pilots later mitigated these.

Post-2014, in opposition, INC promised NYAY (Nyuntam Aay Yojana), a ₹72,000 annual cash transfer to 50 million poor households, though unrealized. State-level INC governments, like in Karnataka and Himachal Pradesh, continued subsidies on power and irrigation.

Populism Under the Bharatiya Janata Party:

The BJP's ascent in 2014 marked a paradigm shift toward "surgical" populism, leveraging digital infrastructure for precision delivery. Pradhan Mantri Jan Dhan Yojana (PMJDY, 2014) democratized banking, opening 520 million zero-balance accounts by 2024, facilitating ₹2.3 lakh crore in deposits and credit linkages for the unbanked. Ujjwala Yojana (2016) distributed 100 million free LPG connections to BPL women, reducing indoor pollution and empowering 200 million beneficiaries, with refill rates rising 20%. Pradhan Mantri Kisan Samman Nidhi (PM-KISAN, 2019) provides ₹6,000 yearly to 146 million landholding farmers, disbursing ₹3.2 lakh crore via DBT.

Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY, 2018) offers ₹5 lakh annual health coverage to 500 million, covering 2,000 procedures and saving 30 million hospitalizations. During COVID-19, the PM Garib Kalyan Anna Yojana supplied free grains to 800 million for 28 months, costing ₹11 lakh crore. This DBT ecosystem—Aadhaar, Jan Dhan, Mobile (JAM trinity)—cut leakages from 48% to under 10%, enhancing efficiency and voter loyalty. BJP's 2019 and 2024 sweeps reflect this: schemes influenced 20-25% of swing votes in Hindi heartland states.

The BJP also innovated infrastructure-linked populism, like Jal Jeevan Mission (tap water to 150,000 villages) and Swachh Bharat (120 million toilets), framing welfare as national pride.

Coalition Governments and Competitive Populism (1996-2014):

The unstable coalition era—from United Front (1996-98), NDA-I (1998-2004), to UPA (2004-14)—amplified populism through bargaining. Regional satraps like TDP's Chandrababu Naidu and DMK's Karunanidhi extracted concessions: special packages for Bihar (₹1 lakh crore under NDA) and Andhra bifurcation aid. Fiscal transfers via Finance Commission grants rose 25%, with welfare comprising 40% of union budgets. Coalitions spurred policy innovation, like NDA's Antyodaya Anna Yojana for poorest families, but also profligacy—revenue deficits averaged 4% of GDP.

This period institutionalized "auction populism," where states competed for central funds, fragmenting national policy but deepening federal welfare commitments.

State-Level Populism: A Regional Mosaic:

States emerged as populism laboratories, with regional parties tailoring schemes to local identities and economies.

In Andhra Pradesh and Telangana, N. T. Rama Rao's Telugu Desam Party (TDP) pioneered ₹2/kg rice in 1983, sustained post-1991. Y. S. Rajasekhara Reddy's Congress launched Aarogyasri (universal health insurance, covering 30 million) and free power (175 units to farmers). Jagan Mohan Reddy's YSRCP (2019-) escalated with Navaratnalu: Amma Vodi (₹15,000 school aid per child), Rythu Bharosa (₹13,500 farmer cash), and free bus travel for women (saving ₹2,000 crore annually). Telangana's Bharat Rashtra Samithi (BRS, K. Chandrashekar Rao) countered with Rythu Bandhu (₹10,000/acre investment support, ₹65,000 crore outlay), Dalit Bandhu (₹10 lakh entrepreneurial grants to 1.2 lakh Dalits), and Kalyana Lakshmi (₹1 lakh wedding aid). These consumed 30-35% of state GDPs, fueling 12% growth but ballooning debt to 35% GSDP.

Tamil Nadu's Dravidian majors—DMK and AIADMK—epitomize welfare welfarism. Freebies include color TVs (2006, 20 million units), laptops (2011, 40 lakh), grinders/mixers, and Amma Unavagam canteens (1,700 outlets serving 2 crore meals monthly at ₹5-10). Pudhumai Penn (₹1,000 monthly to girl students) and free bus passes underscore gender focus, rooted in Periyar's social justice ethos. Expenditure hit 18% of revenue in 2023.

West Bengal's Trinamool Congress (TMC, Mamata Banerjee) shifted from Left Front's land reforms/PDS to Kanyashree (₹25,000-50,000 scholarships, reaching 1.5 crore girls), Lakshmir Bhandar (₹1,000-2,000 monthly to 2 crore women), and Swasthya Sathi (health coverage like Aarogyasri). Punjab's SAD-Congress regimes offered free power (300 units), iPhone-equivalent farm waivers (₹4,000 crore in 2017). Delhi's Aam Aadmi Party (AAP) disrupted with 200 free electricity units, free water, Mohalla Clinics (1,800 facilities treating 20 crore patients), and Utsav bus fares (₹10 statewide).

Other examples: Maharashtra's Ladki Bahin (₹1,500 women cash), Odisha's KALIA (farmer aid), Kerala's comprehensive PDS despite high literacy.

Drivers of Populist Proliferation:

Several factors propelled this surge. Liberalization's asymmetries—manufacturing's 15% GDP share despite 45% employment, rural wages lagging urban by 50%—ignited distress. Electoral federalism intensified bidding wars; regional parties, rising from 5% Lok Sabha seats in 1984 to 25% by 2009, demanded welfare. Media proliferation and RTI empowered voters, while caste-based mobilization necessitated inclusion. Global events like 2008 crisis and COVID reinforced state interventionism.

Socio-Economic Impacts: Boon and Bane:

Positively, populism halved multidimensional poverty (from 55% in 2005 to 15% in 2023), boosted female literacy (from 54% to 72%), and enhanced nutrition via ICDS/PDS expansions. MGNREGA added 0.5% to GDP during monsoons; DBT saved ₹2.7 lakh crore in leakages. Politically, it democratized participation, uplifting Dalits/Adivasis.

Negatively, fiscal hemorrhaging is stark: states' committed expenditure hit 80% of revenues, debt-GSDP ratios climbed (Punjab 49%, Telangana 38%). Capital spending plummeted 30% in high-populist states, stifling growth. Inefficiencies persist—ghost beneficiaries in pre-DBT eras—and moral hazard (farmer over-borrowing). RBI warns of "freebie culture" crowding out development.

Fiscal Sustainability and Policy Dilemmas:

Populism's fiscal footprint rivals Europe's welfare states: central schemes at 2.5% GDP, states at 4-5%. FRBM targets falter; post-COVID debt hit 90% GDP centrally. Reforms like GST compensation (ending 2026) strain states. Courts intervene (e.g., Supreme Court on farm laws), and NITI Aayog proposes "fiscal democracy index" to curb excesses.

Yet, alternatives are politically untenable. Universal Basic Income trials (MP, 2011) show promise but face elite resistance.

Future Trajectories and Global Comparisons:

As India eyes Viksit Bharat by 2047, populism must evolve: AI-targeted aid, green subsidies, skill-linked transfers. Globally, akin to Brazil's Bolsa Familia or Thailand's universal healthcare, India's model succeeds via scale but risks Argentina-style crises sans growth. Post-liberalization India embodies "embedded neoliberalism," where populism legitimizes markets. Parties' innovation—BJP's tech, regionals' personalization—ensures its endurance, demanding vigilant fiscal architecture.

Conclusion:

The interplay between populist policies and economic liberalization in post-1991 India underscores a defining paradox of contemporary Indian democracy: the tension between market-driven growth and electoral imperatives for equity. As political parties navigated the social dislocations of privatization, deregulation, and globalization—manifest in widening income gaps, agrarian distress, and urban unemployment—populism emerged not as an aberration but as a pragmatic adaptation. Welfare schemes like the National Rural Employment Guarantee Act (MGNREGA), subsidized food security under the Public Distribution System, and direct benefit transfers (DBT) via platforms such as Jan Dhan Yojana exemplify this trend. Regional parties, from Tamil Nadu's Dravida Munnetra Kazhagam (DMK) with its midday meal programs to Bihar's Rashtriya Janata Dal (RJD) through caste-based reservations and loan waivers, have similarly weaponized populism to consolidate vote banks, blending identity politics with economic promises.

This fusion has yielded tangible gains. Populist interventions have accelerated poverty alleviation, with multidimensional poverty declining from 24.85% in 2015-16 to 14.96% in 2019-21, per NITI Aayog data, fostering social inclusion for Scheduled Castes, Scheduled Tribes, and women. Enhanced political participation among marginalized groups has invigorated democratic deepening, countering the elitist tendencies of pure neoliberalism. Yet, these measures exact a heavy toll. Fiscal profligacy—evident in India's public debt-to-GDP ratio hovering above 80%—threatens macroeconomic stability, crowding out investments in infrastructure and human capital. Loan waivers, for instance, distort credit markets and incentivize moral hazard among farmers, while poorly targeted subsidies strain state budgets amid revenue shortfalls from global shocks like COVID-19.

Critically, populism constrains structural reforms essential for sustained development. Second-generation liberalization—land, labor, and farm laws—faces populist backlash, as seen in the 2020-21 farmers' protests that forced repeal of key legislations. This reform-populism deadlock perpetuates inefficiency, with India's labor productivity lagging behind peers like China and Vietnam. In a federal polity, asymmetric populism across states exacerbates regional imbalances, turning fiscal federalism into a race to the bottom.

Looking ahead, the path forward demands a nuanced recalibration. Political parties must transcend short-term electoralism toward "smart populism": evidence-based, fiscally prudent policies that embed universal basic services within a reform framework. Strengthening institutions like the Fiscal Responsibility and Budget Management (FRBM) Act, leveraging technology for transparent DBTs, and fostering public-private partnerships could harmonize growth with inclusion. Comparative lessons from Brazil's Bolsa Família or Indonesia's conditional cash transfers highlight viable models, where populism catalyzes rather than corrodes reforms.

Ultimately, post-liberalization India's populist turn reflects democracy's resilience in an unequal society, compelling elites to address the subaltern. Yet, without strategic evolution, it risks entrenching mediocrity. Policymakers must prioritize inclusive growth that empowers citizens as productive agents, ensuring liberalization's dividends reach the last mile while safeguarding fiscal sustainability. Only then can India realize its democratic-economic promise in an era of global uncertainty.

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